

August 11, 2009

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS 25A
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Report—City of El Centro, California Integrated Waste Management Board Used Oil Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of El Centro's (City) Used Oil grant agreements as follows:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG10-04-27	July 1, 2004 through June 30, 2007	\$ 56,206
UOG7-03-4	December 15, 2003 through February 28, 2007	\$294,812

The enclosed report is for your information and use. The Imperial Valley Resource Management Agency's (Agency) response to the report findings on behalf of the City are incorporated into this final report. The Agency agreed with our findings and we appreciate its willingness to implement corrective actions. The findings in our report are intended to assist management in improving the effectiveness and efficiency of its operations.

In accordance with Finance's policy of increased transparency, the final report will be placed on our website. We appreciate the assistance and cooperation of the City's staff. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, Chief
Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Ruben Duran, City Manager, City of El Centro
Mr. Richard Romero, Finance Manager, City of El Centro
Mr. Bob Douthitt, Grant Manager, Imperial Valley Waste Management Task Force
Ms. Shirley Willd-Wagner, Manager, Financial Assistance Division, California Integrated
Waste Management Board
Ms. Susan Villa, Branch Manager, Administration and Finance Division, California
Integrated Waste Management Board
Ms. Corky Mau, Branch Manager, Financial Assistance Division, California Integrated
Waste Management Board
Mr. Carl Coaxum, Associate Management Auditor, Audit and Evaluation Unit, California
Integrated Waste Management Board
Mr. Loreto Tamondong, Grant Manager, Financial Assistance Division, California Integrated
Waste Management

A GRANT AUDIT

City of El Centro
Grant Agreements
UBG10-04-27
and UOG7-03-4

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Alma Ramirez, CPA
Supervisor

Staff
Steve Backlund

This report is also available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

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BACKGROUND

As the state's recycling and waste reduction authority, the California Integrated Waste Management Board (Board) implements programs to reduce waste generation, divert materials from landfills, recover resources, remediate illegal sites, and ensure compliance with applicable state standards. The Board's used oil recycling grant program provides funding for efforts to reduce the amount of illegally disposed used oil and establish sustainable used oil recycling programs.

The Used Oil Opportunity Grant is designed to increase oil collection opportunities thereby reducing the potential for illegal disposal. All California local government agencies, cities, counties, or regional programs (consisting of several cities and/or counties) are eligible. Opportunity Grants are competitive grants that can provide additional funding to augment or expand oil collection and informational programs established by Used Oil Block Grants.

The City of El Centro is the administrator and lead agency for the Imperial Valley Waste Management Task Force (Task Force). The Task Force includes the Imperial County cities of El Centro, Brawley, Calipatria, Calexico, Holtville, Imperial, and Westmoreland. The Task Force, formed in 2000, is responsible for promoting, establishing, and coordinating regional source reduction and recycling efforts including the household hazardous waste and used oil programs on behalf of its members. As the lead agency for the Task Force, the City of El Centro applied for and was awarded two used oil grants.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations (Finance), conducted a compliance audit of the City's Used Oil Grants listed below:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG10-04-27	July 1, 2004 through June 30, 2007	\$ 56,206
UOG7-03-4	December 15, 2003 through February 28, 2007	\$294,812

The audit objective was to determine whether the City's grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. As requested by the Board for this audit, we did not determine whether grant expenditures were double billed under other Board, grants or programs. Additionally, we did not assess the efficiency or effectiveness of program operations.

The City is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The Board is responsible for evaluating the efficiency and effectiveness of program operations.

METHODOLOGY

To determine whether grant revenues and expenditures were in compliance with applicable laws, regulations, and the grant requirements, we performed the following procedures:

- Interviewed key personnel.
- Obtained an understanding of the grant-related internal controls.
- Examined the grant files.
- Reviewed the City's accounting records.
- Determined whether a sample of expenditures were:
 - Allowable
 - Grant related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded
- Determined whether interest earned on grant funds was reported and expended on eligible grant activities.

The results of our audit are based on our review of documentation and other information made available to us and interviews with City and Task Force staff directly responsible for administering the grant funds. The audit was conducted from March 2009 through June 2009.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

Except as noted below, the City of El Centro's (City) grant expenditures were in compliance with applicable laws, regulations, and the grant requirements. The claimed, audited, and questioned amounts are presented in Table 1. Additionally, two findings were identified as reported below.

Table 1: Schedules of Claimed, Audited, and Questioned Amounts

Grant Agreement UBG10-04-27 For the Period July 1, 2004 through June 30, 2007			
Categories	Claimed	Audited	Questioned
Revenues:			
State Grant	\$ 54,577	\$ 54,577	\$ 0
Interest	1,164	2,409	(1,245)
Total Revenues	\$ 55,741	\$ 56,986	\$ (1,245)
Expenditures:			
Permanent Collection Facility	\$ 685	\$ 685	\$ 0
Residential Collection	900	900	0
Personnel/Other Costs	54,156	54,156	0
Total Expenditures	\$ 55,741	\$ 55,741	\$ 0

Grant Agreement UOG7-03-4 For the Period December 15, 2003 through February 28, 2007			
Categories	Claimed	Audited	Questioned
Expenditures:			
Permanent Collection	\$ 44,340	\$ 44,340	\$ 0
Residential Collection	179,943	179,943	0
Publicity and Education	61,729	61,729	0
Personnel / Other	8,800	8,800	0
Total Expenditures	\$ 294,812	\$ 294,812	\$ 0

FINDING 1: The City Retained \$1,245 in Interest Earned on Grant Funds That Was Not Expended on Grant Activities

Due to under reported interest of \$570 and an over payment of \$675 from the Board for Grant Agreement UBG10-04-27, the City retained \$1,245 in interest that was not expended on grant activities. Specifically, the City reported \$1,839 in interest earned when the actual interest earned was \$2,409. The overpayment occurred due to the Board's miscalculation of the final payment.

The Grant Agreement, Exhibit B, Procedures and Requirements, states interest earned for each Block Grant Cycle advance must be tracked and accounted for separately. All interest accrued and received from this account may be used only for eligible expenses related to the grant. Any unused interest accrued must be returned to the Board at the end of the grant term.

Recommendation: Remit the \$1,245 in unexpended interest revenue to the Board.

FINDING 2: The City's Contracting and Payment Controls Are Inadequate

The City does not have a written contract with the Used Oil Block/Opportunity Grants Consultant. The consultant provides administration, collection and processing of oil, and outreach services for both grants. Furthermore, the City did not request or obtain adequate supporting documentation before paying the consultant \$29,395 for an equipment purchase. During the audit, the City subsequently obtained and provided documentation to support the equipment purchase and amount billed. This transaction represents approximately one-half of the equipment purchased under Grant Agreement UOG7-03-4.

Effective management controls require a written agreement that includes the roles and responsibilities of the City and the consultant, services the consultant will provide, and specific billing rates. Without a written agreement, the City may be unable to hold the consultant responsible for performing specific activities or require approved billing rates.

The Grant Agreement, Exhibit B, requires the grantee to maintain adequate supporting documentation for all expenditures claimed on the Payment Request. Additionally, the City is responsible to ensure that all expenditures claimed are in accordance with the grant agreement, including the consultant expenditures. Without an appropriate review of supporting documentation the City is at risk that the funds could be used for ineligible items, or amounts paid could be excessive.

- Recommendation:*
- A. The City should execute a written agreement with the Used Oil Block/Opportunity Grants Consultant that includes roles and responsibilities of both parties, services the consultant will provide, and specific billing rates.
 - B. The City should require and review appropriate supporting documentation for all consultant invoices prior to payment to ensure the amount billed is appropriate and in accordance with the written agreement and grant requirements.



IMPERIAL VALLEY RESOURCE MANAGEMENT AGENCY

SERVING THE CITIES OF BRAWLEY, CALEXICO, CALIPATRIA, EL CENTRO,
HOLTVILLE, IMPERIAL, WESTMORLAND AND IMPERIAL COUNTY

July 10, 2009

Department of Finance
Office of State Audits and Evaluations
Attn: David Botelho, Chief
300 Capital Mall, Suite 801
Sacramento, CA 95814

RE: UBG 10-04-27 and UOG 7-03-4 Draft Report - City of El Centro, California
Integrated Waste Management Board Used Oil Grant Audit.

Dear Mr. Botelho,

In response to the **UBG 10-04-27 Finding 1**, the City of El Centro, lead agency for the Imperial Valley Resource Management Agency, concur with your findings of UBG 10-04-27. It appears that interest earned (\$2,409.00) was not correctly reported and the amount of \$1,245.00, that was not expended on grant activities, will be remitted to the Department of Finance, Office of State Audits and Evaluations.

In response to the Used Oil Block/Opportunity Grants Consultant written contract (**UOG7-03-4) Finding 2**, please find attached the current Consultant Agreement, from consultant Charles Tenborg, EcoSolutions, providing administration, collections, processing of oil, and outreach services for grants.

Sincerely,

Original signed by:

Bob Deuthitt
Manager

Enclosure

EVALUATION OF RESPONSE

The Department of Finance, Office of State Audits and Evaluations (Finance), reviewed the Imperial Valley Resource Management Agency's (Agency) response to the draft report on behalf of the City of El Centro (City).

The Agency agreed with our findings and we appreciate its willingness to implement corrective actions. However, Finance cannot accept payments on behalf of the California Integrated Waste Management Board (Board). We recommend the City contact the Board regarding remittance of the \$1,245.